

AR07

1973 ANNUAL REPORT



**MAPLEX** MANAGEMENT & HOLDINGS LIMITED

# OFFICERS AND DIRECTORS

## Maplex Management & Holdings Limited

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### OFFICERS

**S. R. Bernardo**, President, Brantford

**R. S. Mills, Q.C.**, Secretary, Toronto

**C. A. Blair**, Treasurer & Chief Financial Officer, Simcoe

### DIRECTORS

**D. M. Alloway**,  
Toronto

**S. R. Bernardo**,  
Brantford

**C. A. Blair**,  
Simcoe

**S. M. Fletcher**,  
Hamilton

**R. G. Groom, Q.C.**,  
Tillsonburg

**R. S. Mills, Q.C.**,  
Toronto

**G. C. Noble**,  
Toronto

# REPORT OF PRESIDENT

to the Shareholders of Maplex Management & Holdings Limited

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It is a pleasure to report the results of your Company at this the second Annual General Meeting of Shareholders.

The details of our acquisition of the two operating subsidiaries, Abstainers' Insurance Company and Trans-Canada Investment Corporation Limited, were outlined in our last annual report, so I will not repeat those details here.

Consolidated earnings for the year ending December 31, 1973 (1972) after minority interest and before extraordinary item were \$192,467 (\$137,589). This is a substantial increase over the previous year reflecting the consolidation of the 95.4% interest in Abstainers' Insurance Company for the full year for the first time. On a per share basis however, earnings declined to 0.50c (0.68c) because of a substantially increased number of shares outstanding. Consolidated earnings after minority interest and after the extraordinary item of a tax loss carried forward in Abstainers' were \$270,467 (\$179,051) equivalent to 0.69c (0.88c) per share. The results of Abstainers' and Trans-Canada are reported upon separately later in this report.

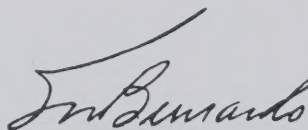
During 1973 your company made a 49% investment in William E. McCaul Insurance Agencies Limited located in Metropolitan Toronto. The McCaul Agency is a well established, highly regarded agency which has operated successfully over a period of many years. It is also the largest writer of business for the Abstainers' Insurance Company.

In addition to providing another profit centre for Maplex, this investment serves to protect the business in force of Abstainers' Insurance Company, and could become a growth area for Maplex.

Your Board fully supports extending the No Fault insurance coverage introduced in 1970 to collision and property damage claims. The Insurance Bureau of Canada (the industry association of general insurance companies), is presently engaged in establishing the premium rate structure for this comprehensive change in the casualty business and your company will actively participate in this new programme expected to be introduced next year.

Although unstable conditions in the middle east have added another dimension of uncertainty to world events, it has given western nations cause to consider their driving habits as it relates to the consumption of fuel, which could have a beneficial side effect on the automobile insurance business. Any trend toward slower speeds, smaller cars, or reduced personal driving should reduce the number and severity of collisions with a corresponding beneficial effect on the underwriting results for Abstainers'. These uncertainties should also draw to the attention of small investors the advantages of professionally-managed portfolios offered by the investment management industry of which Trans-Canada Investment Corporation is one of the oldest firms in Canada.

We believe your company is in an excellent position to take advantage of opportunities which may develop in 1974.



PRESIDENT.

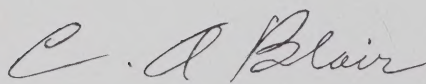


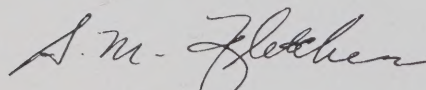
# CONSOLIDATED BALANCE SHEET

Maplex Management & Holdings Limited  
as at December 31, 1973

	<u>1973</u>	<u>1972</u>
<b>ASSETS</b>		
Cash	\$ 252,698	180,614
Trust funds	65,000	43,000
Accounts receivable	85,392	64,019
Accrued interest on investments	71,466	53,429
Deferred expense	9,065	7,193
Investments (Note 2)	4,853,289	4,564,590
Intangible (Note 1)	208,284	208,284
	<u>\$ 5,545,194</u>	<u>5,121,129</u>
<b>LIABILITIES</b>		
Bank indebtedness, secured	\$ 239,605	353,070
Accounts payable and accrued liabilities	156,745	171,781
Provision for unsettled claims and adjustment expenses	1,562,456	1,610,380
Unearned premiums at 85%	1,354,535	1,171,511
Income taxes payable (Note 4)	48,000	—
	<u>3,361,341</u>	<u>3,306,742</u>
Minority interests	325,447	345,502
	<u>3,686,788</u>	<u>3,652,244</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 3)	1,491,051	1,329,588
Retained earnings	367,355	139,297
	<u>1,858,406</u>	<u>1,468,885</u>
	<u>\$ 5,545,194</u>	<u>5,121,129</u>

Signed on behalf of the Board:

 Director  
C. A. Blair

 Director  
S. M. Fletcher

# CONSOLIDATED STATEMENT OF EARNINGS

Maplex Management and Holdings Limited  
for the year ended December 31, 1973

	<u>1973</u>	<u>1972</u>
<b>INCOME</b>		
Premiums earned — net	\$ 2,996,843	2,704,235
Income from investments	290,181	271,047
Gain on sale of securities	102,157	251,742
Gain on sale and repurchase of units	43,777	54,220
Management fees	42,234	33,634
Commissions	27,081	6,497
	<u>3,502,273</u>	<u>3,321,375</u>
<b>EXPENSES</b>		
Claims	1,927,345	1,888,694
Salaries and commissions	805,263	742,766
Other	408,730	374,056
	<u>3,141,338</u>	<u>3,005,516</u>
	360,935	315,859
Provision for decline in market value of current investments	46,527	—
	<u>314,408</u>	<u>315,859</u>
Provision for income taxes — current (Note 4)	123,291	43,537
	<u>191,117</u>	<u>272,322</u>
Provision for minority interests	( 1,350)	134,733
	<u>192,467</u>	<u>137,589</u>
<b>EARNINGS BEFORE EXTRAORDINARY ITEM</b>		
Extraordinary item — reduction in income tax provision due to losses carried forward from prior years	78,000	41,462
<b>NET EARNINGS</b>	<u>\$ 270,467</u>	<u>179,051</u>

## EARNINGS PER SHARE

Based upon the weighted average of shares  
outstanding during the year:

Before extraordinary item	\$ .50	.68
After extraordinary item	\$ .69	.88

# CONSOLIDATED STATEMENTS

## 1. RETAINED EARNINGS

## 2. SOURCE AND APPLICATION OF FUNDS

Maplex Management and Holdings Limited for the year ended December 31, 1973

	<u>1973</u>	<u>1972</u>
<b>RETAINED EARNINGS (DEFICIT)</b>		
<b>AT BEGINNING OF YEAR</b>	\$ 139,297	( 9,647)
Net earnings for the year	<u>270,467</u>	<u>179,051</u>
	409,764	169,404
Dividends paid	<u>42,409</u>	<u>30,107</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 367,355</u>	<u>139,297</u>

	<u>1973</u>	<u>1972</u>
<b>SOURCE OF FUNDS</b>		
Net earnings	\$ 270,467	179,051
Common shares issued	161,463	1,329,581
Minority interests contribution to net assets	( 20,055)	257,413
	<u>411,875</u>	<u>1,766,045</u>
<b>APPLICATION OF FUNDS</b>		
Dividends paid	42,409	30,107
Intangible assets arising from acquisitions	<u>—</u>	<u>160,313</u>
	42,409	190,420
<b>INCREASE IN NET ASSETS</b>	<u>\$ 369,466</u>	<u>1,575,625</u>

## AUDITORS' REPORT

*Riddell, Stead & Co.*

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1L1

To The Shareholders  
Maplex Management and Holdings Limited

We have examined the consolidated balance sheet of Maplex Management and Holdings Limited as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Riddell Stead & Co.*

CHARTERED ACCOUNTANTS

January 18, 1974



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Maplex Management and Holdings Limited as at December 31, 1973

## 1. BASIS OF CONSOLIDATION

Maplex Management and Holdings Limited was incorporated on April 7, 1971. As at December 31, 1973 Maplex had purchased 95.4% of the outstanding common shares of Abstainers' Insurance Company, by the exchange of 362,613 Maplex common shares valued at \$1,329,581, and 68.2% of the outstanding common shares of Trans-Canada Investment Corporation Limited for \$211,890. The excess of the cost of the shares over the underlying book value of the net assets acquired has been reflected, upon consolidation, as an intangible asset.

On June 30, 1973, Maplex invested \$49,000 in shares of William E. McCaul Insurance Agencies Ltd., of which \$25,000 was paid on that date and the balance of \$24,000 is payable in 1974. Since, only 49% of the outstanding capital stock was acquired, the investment has been accounted for on the equity basis.

The contribution of Maplex and its subsidiaries to consolidated net earnings is as follows:

	Net Earnings For Year	Minority Interest	Consolidated Net Earnings
Abstainers' Insurance Company	\$ 323,645	(14,693)	308,952
Trans-Canada Investment Corporation Limited	( 50,450)	16,043	( 34,407)
Maplex Management and Holdings Limited	( 4,878)	—	( 4,878)
	<u>\$ 268,317</u>	<u>1,350</u>	<u>269,667</u>
William E. McCaul Insurance Agencies Ltd.			800
			<u>\$ 270,467</u>

## 2. INVESTMENTS

	1973		1972
Equity in securities held by Trustee for Trans-Canada and special series trust certificates (quoted market 1973 — \$113,315; 1972 — \$116,529)		\$ 110,599	112,374
Marketable securities at the lower of cost and market			
Portfolio of:	1973	1972	
Trans-Canada Investment Corporation Limited			
Market value	\$ 124,444	276,516	124,444
Cost	170,971	231,086	231,086
Abstainers' Insurance Company			
Market value	4,473,177	4,459,699	
Cost	4,568,446	4,221,130	4,568,446
			<u>4,692,890</u>
			49,800
			<u>\$ 4,853,289</u>
William E. McCaul Insurance Agencies Ltd.			<u>4,564,590</u>

## 3. CAPITAL STOCK

Authorized Common shares of no par value <u>2,000,000</u>		
Outstanding at December 31, 1972	362,620 shares	\$ 1,329,588
Issued during the year	61,465 shares	230,494
	<u>424,085</u>	<u>1,560,082</u>
Shares held by subsidiary company at December 31, 1973	18,717	69,031
Outstanding at December 31, 1973	<u>405,368 shares</u>	<u>\$ 1,491,051</u>

## 4. INCOME TAXES

Abstainers' taxable income for the current year and prior years has been increased or decreased by the deductions of unearned premiums in excess of or less than the provisions recorded in the accounts. The accumulated amount of deferred income taxes resulting from the claiming of the net excess for tax purposes is \$123,000. The effect upon 1973 consolidated net earnings is a reduction in taxes otherwise payable of \$11,400.

## 5. REMUNERATION OF DIRECTORS AND OFFICERS

Information pursuant to Section 122.2 of the Canada Corporations Act for the year ended December 31, 1973:

	Maplex	Abstainers	Trans-Canada
Number of directors	7	10	4
Aggregate remuneration as directors	\$ 8,150	9,800	4,000
Number of officers	3	6	3
Aggregate remuneration as officers	\$ —	18,000	18,000
Number of officers who are directors	3	6	3

## 6. COMPARATIVE FIGURES

The comparative figures for 1972 include those of a subsidiary which was reported upon by other auditors.

## **GENERAL MANAGER'S REPORT**

**to the Shareholders of Maplex Management & Holdings Limited on the operation of Abstainers' Insurance Company for the year ended December 31, 1973**

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It is a pleasure to report on the activities of Abstainers' Insurance Company for the first full year of its operations following the acquisition of 95% of its shares by Maplex Management & Holdings Limited through an exchange of shares during the second quarter of 1972.

The company was able to re-establish a satisfactory growth pattern in 1973 after a year of consolidation in 1971, and the final phasing out of our Manitoba business in 1972. Gross premiums written increased by over \$400,000, or nearly 14%, to \$3,376,000. Property premiums increased by 35% to \$342,000, and for the first time represent more than 10% of our total premiums written. This has been a major objective of the company, and it is our intention to escalate this percentage as rapidly as possible to make the company less dependent on the automobile insurance business. Automobile premiums increased by 9% during 1973 to nearly \$3,000,000. Growth was consistent in both Ontario and Alberta, and the company now writes well over \$400,000 in premiums in the latter province, or 13% of total premium income.

This growth was achieved without the assistance of a rate increase until the last quarter of the year. In fact, the company had not increased its rates on any class of business in any province since March of 1971. Hence, it was necessary to introduce modest increases in property rates for both provinces, and in auto insurance for Ontario only.

The company completely reviewed its total re-insurance program during the year, and keeping in mind the possibility of "No Fault" automobile

insurance, made some substantial improvements on an economical basis to provide more flexibility during this period. Some reduction in cost of reinsurance was achieved in 1973, in spite of the larger volume, and a further reduction in net cost will be realized in 1974.

The company continues to put great emphasis on settling claims on a reasonable basis as soon as possible, as evidenced by the fact we have only thirteen claims outstanding previous to December 31, 1970, and only 187 previous to December 31, 1972. We believe if extended No-Fault coverage becomes effective soon, the ability to settle claims involving physical damage to automobiles, fairly, quickly and economically will be of prime importance and we are strengthening our claims staff to this end.

After an underwriting loss of \$150,000 in 1972, we are pleased to report a nominal underwriting profit in 1973. Ordinary investment income from dividends and interest increased by approximately \$20,000 or 7.5%, and while market conditions made it difficult to secure substantial gains on sale of investments, the slightly higher net earnings for 1973, of \$323,641 in comparison to \$311,747 in 1972 are on a sounder base because they are less dependent on this source.

The company anticipates a further growth in premium income of at least 15% in 1974, and, with the help of a dedicated staff, another profitable year.

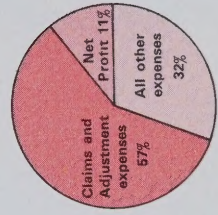
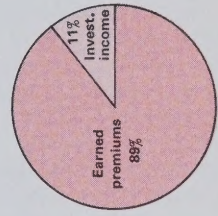
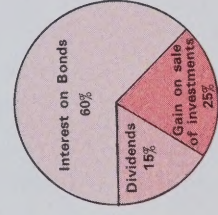
**C. A. Blair**  
MANAGING DIRECTOR



# ABSTAINERS' INSURANCE COMPANY

(in thousands except per share amounts and percentages)

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Gross Premiums Written	3,377	2,967	3,023	3,152	3,048	2,496	2,038	1,479	980	626
Reinsurance	197	208	152	164	180	131	79	44	39	26
Net Premiums Written	3,180	2,759	2,871	2,988	2,868	2,365	1,959	1,435	941	600
Premiums Earned (1)	2,997	2,704	2,893	2,945	2,696	2,199	1,756	1,265	799	532
Claims & Adjusting Expenses	1,927	1,889	1,970	2,587	2,179	1,411	961	775	511	340
General Expenses	1,069	966	921	936	830	706	542	391	255	170
Underwriting Profit (Loss)	1	(150)	3	(578)	(313)	82	254	98	33	21
Investment Income	278	264	254	230	181	132	101	64	40	30
Gain on Sale of Investments	93	198	5	2	198	100	4	5	24	8
Net Profit Before Tax	372	312	257	(346)	67	314	359	167	97	59
Income Taxes	48	none	1	2	(56)	61	141	51	6	4
Net Profit	324	312	256	(348)	123	253	218	116	91	55
Preferred Dividends Payable	10	10	10	10	10	10	10	10	9	9
Common Earnings (1)	314	302	246	(358)	113	243	208	106	83	46
—per share (1)	2.48	2.38	1.94	(2.83)	.90	1.92	1.66	1.27	1.29	.72
Common Dividends	32	32	32	32	32	22	13	2		
—per share	.25	.25	.25	.25	.25	.175	.125	.025		
Est. Equity	13.28	11.05	8.78	4.90	7.88	11.21	7.83	3.84	2.68	2.01
—per share (1) (2)		69.4%	67.5%	70.8%	73.9%	67.5%	64.4%	67.0%	69.7%	78.1%
Industry Loss Ratio	Not available									
Company Loss Ratio	64.3%	69.9%	68.1%	87.9%	80.8%	64.2%	54.7%	61.3%	64.0%	64.0%
Company Expense Ratio	35.6%	35.7%	32.0%	31.3%	28.9%	29.8%	27.7%	27.3%	27.1%	28.4%
Company Combined Ratio	99.9%	105.6%	100.1%	119.2%	109.7%	94.0%	82.4%	88.6%	91.1%	92.4%
Shares Outstanding (2)	127	127	127	127	127	127	125	90	64	64



- (1) In 1966 the Company began carrying Unearned Premiums at 85% as opposed to 80% in previous years. As a result of this change to more conservative accounting procedures, Net Premiums earned and Underwriting Profit were reduced by \$9,986 in 1966 or 11 cents per share before taxes, and estimated equity per share was reduced by 36 cents.
- (2) Shares Outstanding has been adjusted for a 2 for 1 stock split in 1968, a 50 for 1 stock split in 1966, and a rights issue in 1965.

INVESTMENT INCOME

SOURCE OF INCOME

APPLICATION OF INCOME



# GENERAL MANAGER'S REPORT

to the Shareholders of Maplex Management & Holdings Limited on the operation of Trans-Canada Investment Corporation for the year ended December 31, 1973

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At this time last year, I mentioned some of the steps your management was taking to redirect the company operations and to expand the business of Trans-Canada. Accordingly I am pleased to report that the new "A" mutual fund, created to succeed the original fixed investment trust established in 1933, has now been qualified for sale by the securities commissions of the six provinces of Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. In addition, Series "B" shareholders approved changes in the Series "B" Trust Agreement to permit a more realistic management fee together with other amendments designed to provide for a more flexible investment management policy. Early in 1973 the new management position of General Sales Manager was filled, and a sales programme was instituted for 1974.

The very favourable investment performance of the Trans-Canada group of funds should assist in our efforts to solicit the support of independent stock brokers and investment dealers in distributing the funds to supplement the efforts of our own sales force.

As we enter the new year, active consideration is being given to representing a life insurance company in Canada as a general agent by which any Trans-Canada employee who so qualifies may offer a full portfolio of life insurance products in addition to our mutual funds.

Whereas financial results for 1972 were favourably affected by a buoyant stock market, the severe market decline resulting from the decision of the Arab nations to withhold petroleum supplies from the western world with its adverse effects on the North American stock markets, has reduced capital gains as a source of profit to \$15,573 from the \$54,112 reported last year, and a provision has been made for decline in the market value of current investments of \$59,407. With operating costs continuing to increase with our expanded activities without commensurate increase in our management income, an operating loss, including the provision for decline in market value of current investments, of \$63,330 is reported for 1973 compared with a net profit of \$43,186 in the previous year.

Looking forward to 1974 we expect to see tangible results of our sales programme and further progress in establishing Trans-Canada as

a national company within the Canadian financial community.

## OIL AND INFLATION

Because of the major significance of the Arab-Israeli conflict on the price and availability of petroleum products on the economies of the major trading nations of the western world, it is our view that the forces of inflation have been given a very substantial boost. Increasing the posted price of oil from approximately \$4.00 to \$12.00 or \$16.00 per barrel must have a significant influence in the resultant cost of refined products used in the production of energy, the transportation of goods, the costs of feed stock for the petrochemical industry, the direct cost of heating homes and the extra cost of power for our factories. This increased cost will flow through to higher unit costs of virtually everything we use and the shortage resulting from reduced oil field output from the Arab countries will tend in the long run to direct industry to those countries which are politically stable and self-sufficient in petroleum products and/or other sources of energy.

It is important to realize that Canada continues to be one of the most favoured nations in the world in this respect because of its huge natural resource wealth. Canada is self-sufficient in electrical energy from its hydro installations, thermal generating plants and uranium reactors. We are self-sufficient in all forms of fuel; oil, gas, coal and uranium. Our mines satisfy our needs for copper, nickel, iron, zinc, lead and our forest industry supplies our domestic market for lumber, pulp and paper with a fraction of the total production leaving a large surplus for export to world markets. In addition, Canada has a large reservoir of fresh clean water, and an abundance of food and a huge land mass for future generations to develop. In fact, Canada has an abundant supply of virtually all the natural resources necessary to maintain an industrialized society.

Accordingly we anticipate a stable economy for Canada in 1974, but with an acceleration of the inflationary trend on a world wide scale.

**G. C. Noble**  
MANAGING DIRECTOR

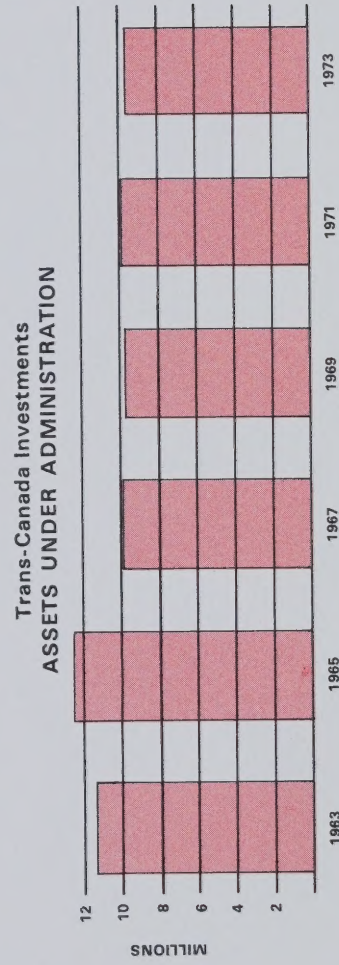


# TRANS-CANADA INVESTMENT CORPORATION LIMITED

## Ten Year Financial Summary

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Income										
Management Fees	40,234	33,634	26,590	24,221	28,059	26,081	27,309	30,025	31,066	29,956
Gain on Sale of Units	70,858	60,717	45,384	26,584	34,676	76,061	61,247	25,365	49,422	69,256
Interest and Dividends	5,050	6,591	5,599	6,128	9,223	6,119	4,656	5,909	5,389	5,053
TOTAL INCOME	116,142	100,942	77,573	56,933	71,958	108,261	93,212	61,299	85,897	104,265
Expenses										
Operating Profit	138,347	109,793	56,186	38,888	39,083	37,770	49,135	41,054	40,164	50,127
Gain on Sale of Investments	(22,205)	(8,851)	21,387	18,045	32,875	70,491	44,077	20,245	42,910	54,138
Gross Profit—Before Tax	*(43,834)	54,112	(2,555)	7,297	(47)	97	(2,587)	—	2,746	2,829
Income Tax	*(66,039)	45,261	18,832	25,342	32,828	70,588	41,490	20,245	42,910	56,967
Net Profit—After Tax	2,709	2,075	2,755	3,545	6,626	25,706	12,111	4,752	12,968	15,074
Dividends Paid	*(63,330)	43,186	16,077	21,797	26,202	44,882	29,379	15,493	29,942	41,893
Earned Surplus	22,888	22,888	11,444	20,599	27,426	18,270	23,535	21,600	21,600	14,400
Capital Stock (Common Shares)	85,781	172,001	151,703	147,070	145,872	156,799	130,187	124,343	130,450	122,108
Net Worth at Book Value	83,954	83,954	83,954	83,954	83,954	83,454	83,454	44,750	44,750	44,750
	169,735	255,955	235,657	230,954	229,826	240,253	213,641	169,093	175,200	166,858

\*Includes Provision of \$59,407 for market decline of current investments.





**MAPLEX** MANAGEMENT & HOLDINGS LIMITED  
Room 2014, Simpson Tower, Toronto 103, Ont.